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THE ASSESSMENT OF TAXES IN CHICAGO.

THE practical statesman, in formulating a system of taxation, holds two things constantly in mind: (1) an adequacy of revenue, and (2) justice as between taxpayers. His first aim is to secure an adequate supply of revenue for the government, but in so doing he strives, or ought to strive, to apportion the burden in accordance with the prevailing ideas of justice. A system of assessment should naturally work in harmony with these aims. It should neither prevent the government from obtaining an adequate revenue, nor should it produce unnecessary inequality. But that is just what the present system of assessment in the city of Chicago does,—(1) on account of its defective system of assessment, the city cannot obtain sufficient revenue to provide for even the most primary necessities of municipal existence; (2) the present system results in gross inequalities.

I. Inadequate revenue.—The city is limited by law to a tax levy of 2 per cent upon the assessed valuation of its real and personal property;¹ and it is restricted by the constitution in the amount of debt that it may incur to an amount not exceeding 5 per cent. of this assessed valuation.² Were property assessed at its fair cash value these limitations would not be too narrow: but the undervaluation of property is so great, that the city has not been in position to increase its debt since 1871,³ and its tax

¹ *Revised Statutes of Illinois*, p. 277 (Hurd's edition, 1895). This limitation does not include taxes for interest and sinking-fund purposes, nor the school or library tax. A public-library tax of one-tenth of 1 per cent., and a school tax of 5 per cent. (3 per cent. for buildings and grounds and 2 per cent. for ordinary expenses) may be levied. Previous to the present year a tax of one-fifth of 1 per cent. for the public library was permitted. The total city levy for 1896 was \$5.04 on \$100 assessed valuation, of which \$0.18 was for the public library, \$2.41 for schools, and \$2.45 for interest and sinking-fund charges and all other corporate purposes.

² *Constitution*, Article IX, § 12.

³ Five million dollars of World's Fair bonds issued by special constitutional amendment of 1890. *Constitution*, Article IX, § 13.

rate has been up to the 2 per cent. limit ever since the law imposing the restriction was passed in 1879.

The equalized assessed valuation of the real estate of Chicago is at present not more than one-ninth of its true value. This fact is indicated by the statistics gathered by the bureau of labor statistics,¹ it is the conservative estimate of those best qualified to judge, and has been practically established by the work of the Chicago tax commission.² This commission, consisting of five competent judges of real-estate values, after making a thorough investigation, placed the value of the real estate in the central business district at \$438,447,180. The equalized assessed valuation of the same property for the year 1895 was \$47,582,402; or but 10.8 per cent. of its actual value.

As to the extent to which the personal property of the city is undervalued, nothing definite is known. A careful and accurate estimate has never been attempted. But the investigations of the bureau of labor statistics show that but a small fraction of intangible personal property is reached. The personal property of the city consists largely of stocks, bonds, warehouse receipts, and other securities, that here as elsewhere elude all attempts at assessment. The more tangible forms of personal property, such as household furniture, merchants' stocks, etc., are undervalued at least to the same degree that real estate has been shown to be.³ Very conservative estimates place the total taxable wealth of Chicago at 2.5 billion dollars, or more than ten times its total equalized assessed valuation and three times the total equalized valuation of the entire state.⁴

¹ *Eighth Biennial Report of the Bureau of Labor Statistics of Illinois: Taxation*, 1894.

² A commission appointed by Mayor George B. Swift, to view and value all real estate north of Twelfth street and south and east of the Chicago River—comprising what is known as the central business district. The commission submitted its report April 25, 1896. The report is printed as a supplement to the *Economist* (Chicago), May 16, 1896.

³ *Report of the Bureau of Labor Statistics* (second edition), pp. 23-46.

⁴ For 1896 the total equalized valuation of Chicago was \$244,357,268, of which \$195,684,857 was upon real estate, \$34,959,299 upon personal property, and \$13,713,112 upon railroad property. The total equalized valuation of the state was \$816,679,620.

In 1873 the city assessor valued the real and personal property of the city at \$312,072,995,^{*} an amount 27.7 per cent. greater than its equalized valuation in 1896. During the same period the area of the city has increased from 35.6 square miles to 187.1 square miles, and its population from 380,000 to 1,700,000. The city, therefore, covers over five times as much territory as in 1873, and its population is almost four and one-half times as great. The demands upon the city have consequently increased enormously; but owing to the extreme undervaluation of property and the limitations upon the city's borrowing and taxing power, the funds for meeting these increased demands have been entirely inadequate. The people of Chicago have had a very cheap government; but the cheapest government is not always the best. A parsimonious, penny-wise policy is always dear in the end. During the past twenty-five years the funded debt of the city has not been increased, and taxes have been light; but these blessings have been too dearly bought by filthy streets, noisome garbage dumps, inadequate police protection, and a death-breeding water supply.

Chicago has in many respects a most liberal charter. There are few large cities in the United States that have so large a control over their own organization and administration. New York, for example, has little discretionary power, and is subject to the constant interference of the state legislature. It is practically governed from Albany; and its worst evils emanate from that source. Chicago has been saved from this kind of interference by the constitutional restriction of special legislation, and by the fact that the legislature has never developed the habit of using the power that it has; and with its broad general power of self-government, Chicago would doubtless have developed a vigorous municipal life, had such a development not been effectually prevented by a system of assessment so pernicious that it has been impossible for the city to secure the funds necessary to make use of the powers granted it. The city government, instead of

^{*}This assessment was for city purposes only; the assessment by the town assessors for town, county, and state purposes was very much less.

being strong and vigorous, is weak and impotent ; it can do comparatively little toward the improvement of municipal conditions.

Many improvements might be made in Chicago's methods of municipal housekeeping ; much might be done to make the city a better place to live in. Mention need but be made of Glasgow, Paris, or Berlin, to bring to mind how totally deficient Chicago is in all the modern appointments of a well-governed city. The best governed cities have their own lighting plants, hospitals, public baths, and garbage crematories ; they pay some attention to the housing of the working classes, and protect their inhabitants against impure food. But it is useless even to discuss the advisability of these proposals as long as the city has no money to carry them out. As a result there is little general interest in municipal affairs ; civic spirit has long been dormant, and inefficiency and corruption are tolerated as necessary evils.

II. *Inequalities of the present system.*—The inequalities are of two kinds : (1) Some classes of property are assessed proportionally higher than others ; (2) within the same class the rate varies greatly.

Under the first head it is a well-established fact that personal property as a class is assessed at a lower rate than real estate. Again, some forms of personal property are assessed at a comparatively high rate, while other forms are assessed at a much lower rate, or even escape entirely. The merchant's stock of goods, for example, pays an unjust share of the personal property tax, while money, stocks, bonds, warehouse receipts, and securities of all kinds either escape taxation altogether or are taxed at a very low rate. It is in these intangible forms that the greater part of the personal property of the city really exists, yet they pay a very small part of the personal-property tax. The annual report of the Citizens' Association for 1883 states that "about 550 large firms and commercial houses pay three-fourths of all the taxes levied on personal property."

As to real estate, there is a general discrimination against improvements and in favor of ground values : (a) Unimproved

property is assessed at a lower percentage of its true value than improved property; (b) highly improved property is assessed at a higher percentage of its true value than property less highly improved.

The first kind of discrimination, that in favor of unimproved land, is too well known to need demonstration. The assessor has a special and peculiar tenderness for the speculator who holds broad acres of unused land. There are no statistics as to the rate at which these large holdings are assessed; but the bureau of labor statistics has secured this information with respect to ninety-eight unimproved lots, averaging \$2509 in value, and has compared their assessed valuation with that of various kinds of improved property. Besides the ninety-eight unimproved lots, the investigation includes seventy business and office properties in the central business district, thirty choice residences, and nineteen cheap residences. The investigation is, of course, too limited to obtain exact results, but the differences shown are so pronounced that they must be accepted as indicating general tendencies.

The unimproved lots were found to be assessed at 4.88 per cent. of their true value, the choice residences at 7.78 per cent., the business and office properties at 9.67 per cent., the cheap residences at 12.06 per cent. Taking a simple average of the percentages of assessed value to true value of the three classes of improved property, we have 9.83 per cent. The unimproved lots are therefore assessed at a rate only half as high, and pay only half as much taxes in proportion to their true value as does the improved property.¹

Highly improved property is assessed at a higher percentage of its true value than property less highly improved; the lower the percentage the value of the improvements holds to the total value, the lower is the percentage of assessed value to true value.

We have seen that business and office property is assessed relatively somewhat higher than choice residence property, and that cheap residence property is assessed higher than either.

¹Table comparing the assessor's valuation for 1893 of unimproved lots with dif-

It is also true that cheap residence property is relatively more highly improved than either choice residence property or business and office property. While a workingman's home in a cheap residence quarter costs two or three times as much as the land on which it is built, but a small proportion of the "skyscrapers" of the central business district are worth as much as the land they occupy. Take in connection with this the fact that the sites of all kinds of improved property are assessed at a lower percentage of their true value than the buildings, and we have a sufficient explanation of the relatively higher assessment of cheap residence property than of business and office property. This same report shows that while building sites are assessed on an average at from 5 to 7 per cent. of their true value, the buildings themselves are assessed on an average at from 12 to 15 per cent. of their actual value.¹ This results, of course, in taxing improvements at a higher rate than the ground on which they stand. Consequently the lower the percentage the value of the building is of the total value of the property, the lower the rate at which the property is taxed. Unimproved land is taxed at the lowest rate, and the rate increases with every increase in the value of the improvements relatively to that of the land. The land speculator is taxed at the lowest rate and the workingman's home at the highest.²

ferent kinds of improved property. Compiled from the *Report of the Bureau of Labor Statistics*, pp. 60-87.

Kind of property	Number of pieces	Average value, 1893	Per cent. assessor's valuation of actual value
Cheap residence.....	19	\$4,435	12.06
Business and office	70	1,421,479	9.67
Choice residence.....	30	140,869	7.78
Average.....			9.83
Unimproved.....	98	2,509	4.88

¹ The causes which have led to this condition will be discussed later.

² Table showing the percentage of assessor's valuation to the actual value, and the percentage of the actual value of the improvements to the total actual value in

But the present system results not only in the assessment of some classes of property at a much higher rate than other, but also in gross inequality in the assessment of the same class. This inequality is of three kinds: (*a*) Inequality as between the 102 counties of the state; (*b*) inequality as between the thirty-three towns of Cook county; (*c*) inequality in the assessment of the property of citizens of the same town. It is at present the function of the state board of equalization and the county commissioners to deal with these first two kinds of inequality. The way in which they perform this function will be considered later on; it is here sufficient to remark that equalization is in all states very unsatisfactory, and in Illinois and Cook county particularly so.

The third kind of inequality is most notorious. Any taxpayer can furnish numerous examples coming under his personal observation. As to personal property, the assessment may be said to vary from nothing at all to 100 per cent. of the actual value. Of the ninety-eight unimproved lots considered in the above mentioned report, the assessor's valuation varied from 2.63 per cent. to 8 per cent. of the actual value; of the thirty choice residences, from 4 to 12.23 per cent; and of the seventy business

1893. (Compiled from Tables XIX, XXIII, XXVI, and XXVII of the *Eighth Biennial Report of the Bureau of Labor Statistics*.)

Kind of property	Per cent. assessor's valuation of building of actual value	Per cent. assessor's valuation of site of actual value	Per cent. assessor's total valuation of total actual value	Per cent. actual value of building of total actual value
98 unimproved lots.....	00.00	4.88	4.88	00.00
8 choice residences.....	15.82	5.84	10.10	43.42
70 business and office properties.....	12.38	7.36	9.67	43.1
19 cheap residences.....	14.56	5.12	12.06	73.94

The report of the Chicago tax commission corroborates the results obtained by the bureau of labor statistics in regard to business and office property—the only kind of property coming within the investigation of the commission. The commission found the assessor's valuation of the buildings in the central business district to be 15.7 per cent., and of the sites 7.3 per cent. of their real value; while the total assessor's valuation was but 9.27 per cent. of the total actual value.

and office properties, from 4.35 to 17.37 per cent. Thus in each of these small groups there are pieces of property that are assessed and taxed more than three times as heavily as other pieces of the same group. Moreover, of all the pieces of real estate considered in this report, the lowest valuation was 1 per cent. and the highest 70 per cent. of the true value.¹

METHODS EMPLOYED IN THE ASSESSMENT OF PROPERTY.

The common council having passed the annual ordinance authorizing the levying of a certain amount upon the real and personal property of the city, the law provides that a certified copy of this ordinance shall be filed with the county clerk. Here the authority of the city ceases. It has no control whatever over the valuation of the property or the collection of the tax. All this is performed by town, county, and state officials. The tax must be levied upon the real and personal property of the city, as the same is assessed for state and county purposes; and the tax so levied and assessed must be collected and enforced in the same manner and by the same officers as those by whom state and county taxes are collected and enforced.²

This follows from the fact that the general-property tax is the main source of revenue, not merely of the city, but of the state, the county, the town, the park district, and the sanitary district as well. Cook county is divided into thirty-three towns or townships, twelve of which are either wholly or partly within the limits of the city. The city includes seven whole towns, almost all of one, and small portions of four others. The city is also divided into three park districts, each of which has an independent governing board. The sanitary district includes all that part of the city north of Eighty-seventh street, together with a considerable territory beyond the city limits; it also is an

¹ It may be well to call special attention to the fact that all the percentages here given, taken from the bureau of labor statistics report, refer to the valuation as returned by the town assessor. There was no equalization by the county board in 1893, but the state board added 18 per cent. to these valuations.

² *Revised Statutes*, p. 277.

independent corporation. It would create intolerable confusion and inconvenience for each of these governments to assess and collect a general property tax for itself: co-operation is therefore indispensable. This is provided for in the general-revenue law, in accordance with which the general-property taxes levied by these various authorities are assessed and collected by a single corps of officials.

In brief, the law provides for assessment by the town assessor, review by the town board, review and equalization between the towns by the county board, and equalization between counties by a state board. The town assessor is elected each spring by the voters of the town. It is his duty to assess the real and personal property of the town between the first day of May and the first day of July of each year. An assessment book containing a list of all the lands and lots to be assessed is prepared by the county clerk and delivered to the assessor. It is then the duty of the assessor actually to view each of these pieces of real estate; to determine its fair cash value; and to assess it at that value.¹ As a matter of fact he does nothing of the kind. No assessor pretends to assess property at its fair cash value; nor does he even actually view each piece of property and determine its true value. The annual assessment, for the most part, is made in the office of the assessor, by simply recopying the valuations of the previous year. Of course changes are made for new improvements, and at times the valuations for a considerable district are all increased or diminished by the same per cent. Certain changes are also made to reward favorites and supporters; and still others as the result of corruption. But as for any annual inspection of the separate pieces of property and determination of their true value, it has long ceased to exist.

It is the intent of the law that each citizen shall make out a sworn list of his personal property; and it is the duty of the assessor to assess each item of the list at its fair cash value. If any person refuses to make out such a schedule under oath, "the assessor shall list the property of such person according to

¹*Revised Statutes*, p. 1275.

his best judgment and information, and shall add to the valuation of such list an amount equal to 50 per cent. of such valuation." "Any person so required to list personal property who shall refuse, neglect, or fail when requested by the proper assessor so to do, shall be deemed guilty of a misdemeanor and on conviction thereof shall be fined in any sum not exceeding \$200, and the several assessors shall report any such refusal to the county attorney whose duty it is hereby made to prosecute the same."¹

This is the law, but its existence would never be surmised by one acquainted merely with the method actually followed. The law is practically a dead letter. Few schedules are made out. Most men feel that an honest return of personal property, especially of stocks, bonds, and other securities, would mean practical confiscation. The total tax rate for 1896 in the South Town was 8.3 cents on the dollar. Think of taxing property upon its actual value at this rate! Rather than perjure themselves by making a false return under oath they prefer to leave the entire matter in the hands of the assessor, whose valuations, though notoriously arbitrary and inequitable, are the lesser of two evils. But from the 50 per cent. penalty or criminal prosecution, they have nothing to fear; for these penalties are never imposed.

The town board, consisting of the assessor, the clerk, and the supervisor, is required to meet on the fourth Monday in June of each year for the purpose of considering complaints and correcting the assessment.² It seems to be the general opinion, however, that if a person is unsuccessful in getting his assessment corrected by the assessor himself, it is of little use to appeal to the town board. The assessments as made by the assessor are allowed to stand with very few alterations. After review by the town board, the assessments then go for further review and for equalization between the towns of the county to the county board of commissioners. The county board has the chief direction and supervision over county affairs; and, in Cook county, is

¹ *Revised Statutes*, pp. 1265-76.

² *Revised Statutes*, pp. 1276-7.

composed of fifteen members. Ten of these members are elected upon a general ticket for a term of two years by the voters of the city; the remaining five by the voters of the county residing outside the city limits.¹

It is the duty of a county board, at its meeting on the second Monday in July, to consider appeals from the decisions of the town boards and complaints from property owners who have been assessed since the meeting of the town boards, and to equalize the aggregate valuation between the towns.² It may increase or diminish the aggregate valuation in any of the towns in order to make the valuations of the towns relatively equal. But in doing so it cannot decrease the aggregate valuation of the county; neither can it increase the aggregate valuation except to such an amount as may be actually necessary and incidental to a proper equalization.³ If the board finds the aggregate assessment too high or too low, or generally so unequal as to render a just equalization impracticable, it may set aside the assessments of any or all of the towns and order new assessments, with instructions to the assessors to increase or diminish their former assessments by such amounts as the board may deem just.⁴ The county board is thus seen to be invested with very broad powers. Anyone who considers his property unjustly assessed has the right, after first making complaint to the town board, to appeal to the county board; if property is assessed at a lower percentage of its true value in some towns than in others, the board has full power to equalize the assessments; and, finally, the board may prevent undervaluation by ordering the assessors to make new and higher assessments. As it is a well-known fact that there are great inequalities of assessment both as between the various towns and between individ-

¹ *Constitution*, Art. X, § 7.

² *Revised Statutes*, pp. 1276-9; *Workingmen's Banking Co. vs. Wolff*, 150 Ill., 491.

³ The equalization was held to be valid where a county board raised aggregate valuation a trifle more than one-fourth of 1 per cent.—*Buck vs. The People*, 78 Ill., 561.

⁴ *Revised Statutes*, pp. 1278-9.

uals of the same town, and as the extreme undervaluation that exists is recognized to be most pernicious in its effects, there would seem to be plenty of work for the board to do. But as a matter of fact it did not change a figure in the assessments as returned by the town assessors for the year 1896.

The county board has been an appellate board of review since 1891. Each year since then a gradually increasing number of complaints have been carried to the board; though their number has been surprisingly small. In 1896 a number of complaints were filed as usual, but as the aggregate assessment was \$4,949,-194 less than for the previous year, the board did not consider it wise to reduce it still further by granting relief in these individual cases. The thirty-three assessors of Cook county have no recognized standard of valuation and are under no central supervision; each presumably adopts some standard for himself, and is entirely independent in his application of it.¹ That uniformity should result from such chaos is highly improbable; yet the county board has made no attempt at equalization since 1890. Previous to that time the board had usually made a so-called equalization, by adding 2 or 3 per cent. to the valuations of some of the towns and deducting like percentages from others. But the board now seems to have stopped the farce entirely; and it is just as well for all concerned that it has. Equalization is always very unsatisfactory even when performed by persons specially qualified for the task; and it is hard to see how a board constituted as is the present one and burdened with many other important and exacting duties can be expected to have the technical information necessary to make a just equalization of the assessments of the thirty-three towns of the county. The power of the board to prevent undervaluation by ordering a new and higher assessment has never been exercised. The advisability of ordering a reassessment has been discussed at various times, and on one occasion such an order was actu-

¹ To be sure, the law provides that "the fair cash value" shall be the standard; but as no assessor pretends to take that as his standard, each presumably fixes upon some fractional part of "the fair cash value" as a standard.

ally passed by the board, but the opposition was so great that it was afterwards reconsidered. The practical difficulty in the way is that an increase in the county's assessed valuation would mean an increase in the proportion of state taxes that it would be compelled to pay.

The state board of equalization meets on the second Tuesday in August of each year. It is made up of the auditor of public accounts and one member from each congressional district, elected for a term of four years.¹ This board has the original and sole power to assess the "track" and "rolling stock" of railroads, and to assess the capital stock of railroad, telegraph, and other corporations. It is also the duty of the board to equalize the assessments of the various counties. In doing so it cannot reduce the aggregate assessed valuation of the state; neither can it increase it more than 1 per cent. In making the equalization it considers separately, (1) personal property, (2) lands, (3) town and city lots, (4) railroad property.² In the equalization of the assessment of personal property, the law requires that the average assessed value of each of the seventeen kinds of enumerated property be obtained; that the values of the several kinds of enumerated property in each county shall be computed at these average values; and that the value of enumerated property thus obtained, as compared with the assessed value of such property, shall be taken to obtain a rate per cent. to be added to or deducted from the total assessed value of personal property in each county. But the board must go through this process merely to inform its own judgment, and after having done so may alter the rates thus found in any manner that it may deem necessary in order to secure a more just equalization.³ That the board does not permit itself to be bound by the results of this process is shown by the fact that in 1896, had the process been strictly adhered to, the assessment in Cook county would have been reduced 33 per cent., but

¹ At present, including the auditor, there are twenty-three members.

² See the annual reports of the board.

³ *Revised Statutes*, pp. 1280-1.

instead of this it was increased 27 per cent. In equalizing the assessment of lands the average assessed value per acre in each county is determined, and in the case of town and city lots the average assessed value per lot. Then from the board's assumed knowledge of the actual average value of lands and town and city lots in each of the 102 counties of the state, it is supposed to be able to decide by what percentage to increase or diminish the assessments of each county. But, as a matter of fact, the board has no means of obtaining the data necessary for a just equalization and would probably not be disposed to use it fairly if it had. Each member schemes to get an equalization that shall be as favorable as possible for his own district. Equalization is the joint product of "guess work" and "log-rolling."

REFORMS NEEDED.

The many evils that have been noted in the assessment of property may be ascribed, (1) partly to faults in the methods employed, (2) partly to insurmountable practical difficulties in the assessment of a general-property tax, (3) and partly to civic apathy and corruption. It is in the assessment of personal property that the general-property tax breaks down most completely. Early in the development of the country, when agriculture was almost the only industry, the assessment of personal property was a very simple matter. Personal property then consisted chiefly of household furniture, stock, and farm products; a condition of affairs differing as widely as possible from the bewildering complications of business and commercial relations in a great city like Chicago. Here by far the greater part of the personal property is in the form of stocks, bonds, warehouse receipts, and securities of various kinds. Millions of dollars' worth of property are held in such an invisible, intangible form as to baffle all attempts at assessment. Even approximate accuracy of assessment cannot reasonably be hoped for. And when a man knows that his competitors are evading a large part of their personal-property tax, it becomes a practical necessity for him to follow their example. "Tax-dodging" therefore

becomes universal, and constantly tends to grow worse and worse. Modern writers agree in condemning the taxation of intangible personal property as impracticable; and have turned their attention to the problem of reaching the holder of intangible property by some other form of taxation. Ohio has taken the most drastic measures to secure the assessment of intangible property, but has failed completely. The law since 1885 has permitted the county commissioners to offer individuals 20 per cent. of the tax upon all unassessed personal property disclosed through their efforts.¹ Yet the Ohio tax commission of 1893 reports that "this so-called tax-inquisitor law produces not to exceed 2 per cent. of the taxes collected, the greater part of which proportionally is paid by the country counties." The commission recommends the repeal of the law and the adoption of other forms of taxation, designed to reach the holder of intangible property.

Another serious difficulty arises in the assessment of real property. The tax as at present administered leads inevitably to discrimination against improvements. We have seen that buildings are uniformly assessed at a higher percentage of their actual value than the sites on which they stand; and that this results in a discriminating tax, according to which the real rate of the tax increases with every increase in the percentage of building value to the total value of the property. Highly improved property is assessed at a higher percentage of its true value than property less highly improved; and as property in cheap residence districts is, relatively to the value of the land, the most highly improved, the result is that it is upon the workingman who owns or occupies one of these small homes that this discriminating rate bears most heavily. This discrimination is doubtless caused by the fact that sites rapidly increase in value, while the buildings upon them steadily deteriorate. Formerly the attempt was doubtless made to assess both buildings and sites at the same percentage of their true value. But when the system of actual reassessment was discontinued and the annual

¹ *Revised Statutes of Ohio*, 1892, §§ 1343a, 8539-42.

assessment became a mere copy of the assessment of the previous year, the rapid changes in the relative value of building and site were not followed by similar changes in their assessed valuations. The result has been that the relative undervaluation of sites has become so general that assessors seem to have given up the attempt, even in assessing newly improved property, to assess the site and the building relatively equal, and now attempt merely to assess the site at the same rate as other sites in the vicinity and the building at the same rate as other buildings in the vicinity. It seems impossible to overcome this difficulty entirely, but it can be reduced to a minimum by any plan that will bring about a periodical actual reassessment of property. The annual assessment of real estate in Chicago has become an annual farce. There is no general reassessment of property. An accurate assessment of the real estate of Chicago is a prodigious task, and should not be undertaken any oftener than is actually necessary for the attainment of justice. There should be a new assessment but once in four years, and the assessor should be elected for a like period. It is better to have a thorough reassessment every four years than an annual pretense at assessment.

Perhaps the most important evil that has been considered is that of undervaluation. It is the cause of continual financial embarrassment to the city, and of much of the inequality that exists. The present system seems peculiarly adapted to secure competitive undervaluation: it seems designed to make each assessor vie with every other to assess the property of his town at a lower rate than that of any other town. They do this because it is demanded by the men who have elected them, and to whom they must look for re-election. The reason why property owners demand undervaluation is not difficult to see. Upon the valuation returned by the assessor taxes are levied, not only for town purposes, but for the park district, sanitary district, city, county, and state as well. If the taxes levied were for town purposes merely, it would make no difference to the taxpayers of the town whether the valuation

as fixed by the assessor were high or low—provided only that all property were valued proportionally. But when park, sanitary district, city, county, and state taxes are levied upon this same valuation, it is decidedly to the interest of the taxpayers to have the property of the town valued at as low a rate as possible. The lower the assessed valuation, the lower is their proportion of park, sanitary district, city, county and state taxes. They, of course, are always willing to pay their just share of these taxes, but they are always sure that property in an adjoining town, or in some other part of the state, is valued at a lower percentage of its true value than their own. They deplore the general undervaluation, and are loud in their denunciation of assessors; but should their own assessor dare to raise the rate of valuation, he would stand no chance of re-election at their hands. The assessor simply carries out the demands of his constituents. The lower the valuation, the higher he will stand in their regard. It follows that each assessor vies with every other in a wholesale undervaluation. It is the aim of each to provide his town with an assessed valuation that is as low as the lowest. Under this system of competitive undervaluation it is not strange that the percentage of assessed valuation to true valuation has been steadily declining, until now the assessor's valuation of the real estate of the central business district is but 9 per cent. of its true value.¹ To be sure, if there were a perfect system of equalization in operation, the reasons for competitive undervaluation would not exist. If it were absolutely certain that the valuations in all the towns of the county would be accurately equalized by the county board, and that the valuations in the various counties would be made relatively equal by the state board, there could be no inducement for undervaluation. But such a system is quite visionary; the most that can be expected is that some of the most flagrant inequalities will be mitigated. And as long as the boards of equalization cannot be implicitly relied upon, the reasons for competitive undervaluation will continue.

One plan which has been strongly urged as a remedy for the

¹Its equalized assessed valuation is about 11 per cent. of its actual value.

evil is the consolidation of the twelve towns and parts of towns within the limits of the city of Chicago into a single town. The consolidation of the various towns of the city would be desirable for many reasons, and their complete abolition still more so. The annual town meetings are anomalies to which there are few parallels. The theory is that the voters of each town shall annually assemble in mass meeting, and vote the taxes for the ensuing year. The West Town, for example, has a population of about 700,000, and in October 1896 had 150,000 registered voters. Imagine these 150,000 men coming together in primary assembly to transact the business of the town. As a matter of fact few voters know that such an institution exists; and of those that do happen to know of it scarcely any consider it of sufficient importance to attend. As a rule, therefore, the meeting is made up of the town supervisor, the assessor, the clerk, and the collector, with a few of their most trusted retainers.

Aside from the assessment and collection of taxes the towns have no functions of importance. It is now generally conceded that the assessment and collection of taxes in Chicago can best be exercised by central authorities. With these functions taken away, the town governments will no longer have any excuse for existence. Yet, however desirable for these reasons the consolidation or abolition of the town governments would be, as a remedy for competitive undervaluation it would fail completely. There would then be but a single assessor for the entire city; and it is urged that he would not have the same motive for undervaluation, and would assess property at more nearly its true value. But this remedy does not go to the root of the evil. This single assessor would still have to compete with the twenty-six town assessors of Cook county outside the city limits, and the causes which at present bring about competitive undervaluation between the 102 counties of the state would be as active as ever. An increase in the city's assessed valuation would mean an increase in the proportion of state and county taxes that it would be compelled to pay.

Undervaluation may not be as extreme in other parts of the

state as it is in Chicago and Cook county, but the difference, so far as real estate is concerned, cannot be very great. In 1896 the aggregate assessment returned by the local assessors in Cook county was 43.6 per cent. higher than in 1873; while the aggregate local assessment for all counties of the state except Cook was less than one-half as great in 1896 as it was in 1873.¹ The aggregate assessment for all counties except Cook has steadily declined since 1873, while since 1880 the assessment of Cook county has been slowly rising. But the population and wealth of Cook county has increased at a rate so much more rapid than the rest of the state that the percentage of assessed valuation to true valuation has probably fallen somewhat more rapidly in Cook county than in the state as a whole.

Another plan is to abolish the system of town assessment and to have a single assessor or board of assessors for the entire county. One way in which this might be brought about in Cook county would be to abolish the present system of township organization. The assessment for the entire county would then be made by a single assessor, as is at present the case in those counties of the state that do not have the township system. This can be brought about by petition to the county board and the favorable vote of the people of the county. This, however, would deprive the twenty-six towns wholly or partly outside the city limits of their local self-government, and would be very objectionable for that reason. And inasmuch as the evils of the system of town assessment are not confined to Cook county, but necessarily result wherever the system is used, it would be wiser to abolish the system throughout the state, by legislative enact-

¹ Table showing the total assessment made by the local assessors in 1873 and 1896 in Cook county and in all counties of the state except Cook :

Counties	Total assessment made by local assessors, 1873	Total assessment made by local assessors, 1896	Per cent. increase	Per cent. decrease
All counties except Cook...	1,065,963,198	523,685,796	50.8
Cook.....	144,145,665	207,530,692	43.6

ment, without detriment to the present system of township government.

While this plan would do away with competitive undervaluation between towns, it would still continue between counties. The rivalry would now be between the 102 county assessors, and, as a result of that rivalry, the total assessed valuation of the state would continue to grow less and less. In fact, a system of county assessment exists at present in about one-sixth of the counties of the state. Eighteen counties have no township organization, and in them the county treasurer is *ex officio* county assessor. He is elected for a term of four years and cannot hold office for two successive terms.¹ If it is the system of town assessment alone that is responsible for competitive undervaluation, the assessors' valuations in these counties should be relatively much higher than in the other counties of the state. But if the percentages added to or deducted from the valuations of the various counties by the state board of equalization be taken as a criterion, no general difference can be observed. The state board has increased the valuation of some of these counties in which a system of county assessment exists, and has diminished the valuation of others—just as it has in the case of the counties in which a system of town assessment exists. In 1896 the state board increased the assessed valuation in two counties by 58 per cent.; one of them had the county system of assessment and the other the town system.² County assessment is an essential part of a thoroughgoing reform, but something further is necessary.

Chicago has had an experience with two different methods of assessment that is very suggestive. Under the old charter of the city, from 1863 to 1875, town, county, and state taxes were levied upon a valuation returned by the town assessors, while city taxes were levied upon an entirely distinct valuation returned by a city board of assessors. Here were two systems operating

¹ *Revised Statutes*, p. 677.

² These two counties were Clark and Gallatin. Clark has the township organization, while Gallatin has not. The assessed valuation of Cook county was increased 22 per cent.—*Report of the State Board of Equalization*, 1896.

side by side. One was practically the same as the present; taxes for different jurisdictions (town, county, and state) were levied upon the valuation returned by the town assessor. It consequently afforded all the inducements for competitive undervaluation that exist under the present system. Under the other system city taxes were levied upon a separate city valuation made by a single city board. It therefore made no difference to the city taxpayer whether his property was assessed at half its full value or at full value—provided only that all other property owners of the city were assessed at the same rate.

It is interesting to compare the practical results of the two systems. The records show that during this period the value of the real estate of Chicago, as assessed by the city board, was regularly three or four times as great as the valuation returned by the town assessors. In the one case there was no inducement for undervaluation; in the other the rivalry between assessors was the same as it is at present. The following statistical comparison of the two methods is given in the bureau of labor statistics report:

Year	Town assessor's valuation of real estate for town, county, and state taxes	City board's valuation of real estate for city taxes
1870	\$55,800,674	\$223,643,600
1871	59,254,278	236,898,650
1872	57,548,810	239,154,890
1873	79,953,118	262,969,820
1874	85,186,937	258,549,310
Totals	\$337,743,817	\$1,221,216,270

It seems clear, therefore, that competitive undervaluation could be stopped by having a separate assessment for town, city, county, and state. Such an arrangement, however, would be intolerable. It would require an army of officials to carry out, and would subject the taxpayer to endless inconvenience. It is also evident that this result might be effected by a centralized system of assessment. Were the assessment for the entire state

made under the direction of a state board or official, the causes which now lead to competitive undervaluation would no longer be operative. This is the plan at present in vogue in France. The French land tax is a source of revenue not only for the central government but for the departments and communes as well; but its administration is entirely in the hands of the central government. France is a highly centralized state; the communes have few powers of self-government; a centralized system of taxation is therefore in perfect harmony with the spirit of its institutions. But our institutions are in this respect diametrically opposed to those of France; local self-government is a basic principle of our political structure. Moreover, although this plan would do away with competitive undervaluation, it could not be administered without great inequality. Such an assessment, though directed by a single head, must be actually carried out by a great number of assessors. These men will naturally differ widely in intelligence and judgment; and the valuations which they determine upon will differ correspondingly. Other things being equal, the inequalities of an assessment will vary directly with the number of individuals taking part in its construction; the larger the number of assessors, the greater the inequality. France is a good illustration of this fact; there the plan results in extreme inequality between the different districts.

We thus see that a real-estate tax that is a source of revenue for both state and local governments cannot be assessed by the local authorities without competitive undervaluation and consequent inequality, and that it is not probable that it could be centrally administered over such a broad area as the state of Illinois, with any approach at uniformity; we are therefore forced to the conclusion that it is an administrative necessity that this form of taxation should be reserved to the local governments and that the state should derive its revenue from other and independent sources. There must be a divorce of state from local taxation. Such a separation is in line with the best modern thought and practice; it is the central feature of the recent

reforms in Prussia, and has been adopted in Delaware, Pennsylvania, and Vermont.¹

The separation of state from local taxation is not only an administrative necessity but is extremely desirable for other reasons. For each of the three different organs of the state, the national, state (commonwealth), and municipal governments, there are certain peculiarly appropriate objects of taxation. Just as there are certain functions that seem naturally to belong to the national government, others to the state, and still others to the municipality, so also there are certain sources of revenue that seem peculiarly appropriate for each of these different governments. In many cases, to be sure, it is impossible to decide to which of two governments an object of taxation more naturally belongs, just as is also the case with regard to many governmental functions; but that there are these natural divisions can no more be doubted in the one case than in the other. Historically there has been a segregation of the sources of revenue, just as there has been a segregation of governmental functions. (1) Certain kinds of taxation are peculiarly adapted to local administration, others to state, and still others to national. There are certain kinds of taxes that cannot be uniformly assessed over a very extensive territory. There are others that cannot be successfully administered by a government whose jurisdiction extends over but a small area. A real-estate tax is an example of the former; a railroad tax of the latter. (2) Each of these governments in the exercise of its peculiar functions stands in a special relation to certain private interests. These interests benefit more immediately and specially from its action than from the action of the other governments; they can, therefore, be more appropriately taxed by it than by the governments whose benefits are less and more remote. For example, municipal franchises can most appropriately be taxed by the municipality, intermunicipal corporations by the state, and interstate corporations by the national government.

Applying these principles to the practical problem of the

¹ ELY, *Taxation in American States and Cities*, p. 261.

divorce of state from local taxation in Illinois, we may say, merely by way of illustration, that real estate, municipal franchises, and certain kinds of business seem peculiarly appropriate for local taxation, while corporation and inheritance taxes may as appropriately be reserved to the state. It has been found impossible to administer a real-estate tax uniformly over such a large area as the state of Illinois. Competitive undervaluation and inequality between the various counties are sure to result. Yet it is quite possible to assess such a tax over a single county with practical uniformity. Moreover it is clear that real estate in the city of Chicago is far more immediately and specially benefited by the activities of the city government than by those of the state and national governments. Corporation and inheritance taxes can best be administered by an authority whose jurisdiction is broader than the county. And as corporations receive special rights and privileges from the state, and the right of inheritance is secured by the state, these are specially appropriate objects for state taxation. The need of the state government for revenue is comparatively small. In 1893 the state tax was but one-sixteenth of the aggregate amount of taxes levied in the state; and in Cook county it was but one twenty-second of the total amount of taxes levied in the county.¹ The state, therefore, does not require a complicated revenue system; and taxes on corporations and inheritance can be made to yield an abundant revenue. With the divorce of state from local taxation and the replacement of town assessment by county assessment, the problems of competitive undervaluation and inequality between towns and counties will be practically solved. Boards

¹ Comparison of the tax levy for state purposes with the tax levy for local purposes, 1893. See *Auditor's Report*, 1894.

	Aggregate levy for state purposes, 1893	Aggregate levy for state and local purposes, 1893	Per cent. state levy of total levy
Cook county	\$ 847,909.43	\$18,822,793.82	4.5
State	2,673,669.50	40,071,159.24	6.4

of equalization can then be dispensed with, as there will be nothing to equalize.

The fact that there is no standard of valuation is the cause of much of the inequality and corruption that exists. The law provides that property shall be assessed at its fair cash value, but no assessor ever thinks of following the law in this respect.¹ There being no standard of valuation, inequality follows inevitably. Each assessor presumably adopts some standard for his own guidance, but it is impossible for anyone else to know what that standard is. It is difficult, therefore, for a man to tell whether or not his property is fairly assessed, and in most cases he finds it best quietly to bear the arbitrary assessment. It is this condition that is chiefly responsible for the corruption that exists. The usual method is about as follows: The property owner receives a notice from the assessor, informing him of the amount of his assessment. The amount stated is perhaps 50 per cent. higher than the assessment for the previous year. In a few days he is called upon by a "go-between" who offers to see that the assessment is reduced to its former figure upon the payment to himself of half the amount involved. The sum is paid and the assessment is reduced. Some standard must therefore be adopted and rigidly adhered to. The most logical plan would seem to be to assess all property at its fair cash value. There are those, however, who oppose this and argue that one-fifth or one-eighth of the true value would be a better standard. They do not favor such a standard because it will be more easily maintained, but because assessment at actual value, by enormously increasing the assessed valuation of the city, will put it in the power of the city council to make a proportionate increase in the city tax levy and bonded debt. Since the present assessed valuation of real estate is but one-ninth of its actual value, a true assessment would make it possible for the city council to levy nine times as large a tax and to increase the bonded debt of the city in the same proportion.

¹ Assessors and boards of equalization act judicially in fixing the value of property for taxation, and their decision can be impeached only for fraud. *Porter vs. Rockford, Rock Island and St. Louis Railway Company*, 76 Ill., 561.

Many taxpayers would tremble to see such broad powers given to a corrupt city council. It is probable, however, that the present extreme limitation of the city's financial powers and thereby upon its exercise of all other powers, has been a potent cause in making the council what it is. The character of the men who fill an office generally varies in a pretty direct proportion with the responsibility of the office. The council being weak, its members are naturally irresponsible. One requisite for the reform of the city council is that its powers be made so important that the people will no longer permit it to be run by the "gang" and in the interests of the "gang;" and that men of character and ability will consider it an honor to be a member of it. With assessment at actual value the present limitations will not be too broad. While throwing the responsibility for its own good or bad government upon the city itself, the limitations are not so broad as to be a serious menace to the welfare of the state as a whole. But after the methods of assessment and the system of taxation itself have both been radically changed, reliance must still be placed largely in the exercise of a vigilant popular control. Where this is weak or inefficient the best system will fail to bring good results. Corruption is possible under any system unless officials are held to a strict responsibility by the people. A vigorous civic spirit will ever be necessary for the successful operation of this most difficult branch of public administration.

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